

FISCAL NOTE

HB 3576 - SB 3695

March 3, 2006

SUMMARY OF BILL: Excludes from the definition of “business”, as it applies to sales and use tax law, non-profit organizations and public schools engaging in no more than two fundraising events during a calendar year in which sales of tangible personal property are made during a temporary sales period. Exempts such sales from the sales and use tax. Requires any sales occurring during the third and subsequent fundraising events to be considered sales at retail.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues – Exceeds \$184,000

Decrease Local Govt. Revenues – Exceeds \$59,000

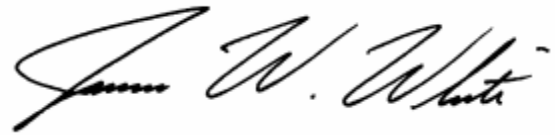
Assumptions:

- 3,351 charitable organizations in Tennessee (Tennessee Fact Book).
- Charitable organizations and non-profit organizations are synonymous.
- 1,686 public schools in Tennessee during FY05-06 (Tennessee Fact Book).
- Total number of entities affected is estimated at 5,037 (3,351 charitable organizations + 1,686 public schools = 5,037 total).
- 25% (1,259) of entities do not conduct any fundraising events during any calendar year.
- Of the remaining 75% who would conduct annual fundraising events (3,778), each averages approximately 1.75 events per year.
- Estimated number of annual events is 6,612 (3,778 entities X 1.75 annual events = 6,612 total events).
- Average sales are \$400 per event.
- Annual sales are estimated to exceed \$2,640,000 (6,612 annual events X \$400 per event = \$2,644,800).
- State sales tax rate is 7%.
- The decrease of state revenues is estimated to exceed \$184,000 (\$2,640,000 in taxable sales X 7% state rate = \$184,800).
- Local option tax rate averages 2.25%.

- The decrease of local government revenues is estimated to exceed \$59,000 ($\$2,640,000 \times 2.25\% = \$59,400$).
- This act shall take effect July 1, 2006.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive, flowing style.

James W. White, Executive Director